



COLORADO

**Colorado Commission on
Higher Education**

Department of Higher Education

**The Colorado Commission on Higher Education
Recommendation on the Funding Allocation Formula for FY 2022-2023
Passed on Friday, October 22, 2021**

National Postsecondary Landscape: We are in the midst of a national paradigm shift in the post-secondary landscape ignited by an increasingly competitive and dynamic global economy, an urgency to better meet the needs of students from historically underserved backgrounds, decades of cuts in state-level funding nationwide that drove steep tuition increases and massive growth in student loan debt, a surge of new entrants focused on high-demand skills in the provider landscape, and acute imbalances in labor supply and demand, all of which was further accelerated by the pandemic. The sentiment that “post-secondary education faced an existential crisis” was visceral during COVID-19’s dislocation of students and employees as campuses faced an unprecedented shift to remote learning. However, the “existential crisis” preceded COVID-19’s onset. The perceived value of a degree was already under assault, equity gaps persisted, and industry leaders questioned the job readiness skills of future employees coming out of IHEs nationally. Moreover, as the cost of higher education exploded and students and families took on greater debt to pay for it, public perception of higher education eroded. Consequently, it has made funding conversations even more precarious.

Colorado Context: Multiple hard truths permeate Colorado’s post-secondary landscape:

- **Significant Decline in State Funding:** Colorado’s state funding for resident students has decreased by more than 27% since FY 2000-01.
- **Colorado IHE Funding Fairs Poorly on National Scale:** In 2019, education appropriations per student ranked Colorado 48th in the nation, at 60% of the U.S. average. (SHEEO SHEF Survey, FY 2020, Published 2021.) Further, the Hanover Peer study commissioned by CDHE highlighted an approximate \$942 million state funding gap for Colorado public institutions of higher education as compared to their peer institutions nationally.
- **Governor Polis Makes Up Ground From Previous State Cuts:** CCHE also recognizes that Colorado was among the national leaders in terms of growth in state support for higher education over the three-year period preceding the pandemic, with 27.2% growth in Colorado state support for higher education over that time, in contrast to the national average of 10.9%. Keep in mind, this 3-year growth period is relative to one of the lowest starting places in the country in the early/mid 2000’s, as Colorado experienced some of the largest cuts in state funding following the Great Recession.
- **Significant Federal Support for CO Students:** IHEs received and deployed just under \$1B in federal funds in last 18 months, along with more than \$350M direct-to-student stimulus to weather the budgetary impacts of COVID-19 pandemic. Because of this federal support, the budget shortfall that institutions had to absorb was reduced to \$303 Million. Furthermore, significant federal funds have been allocated to programs such as COSI in the last legislative session with additional pending federal funds including small increases through programs such as Pell. Currently, Colorado public institutions of higher education receive \$260 million in Pell grants and more than \$200 million in state aid, which has increased 20%+ over the past two years.

- Increasing Costs/Inflation:** Despite the use of one-time funds, Colorado Governing Boards have estimated core minimum costs increases for FY 2022-23 at \$125.6 million, assuming no tuition increases or additional funding in Step 1. These base core cost increases include (\$28.4M) for Health care, (\$59.0M) for state-mandated pay increases for classified employees, an estimated (\$34.7M) increase for other costs and PERA Auto adjust of (\$3.5M). The percentages for FY 2022-2023 were developed in an environment of ~3% inflation, 3.5% for salaries and 5.3% for health adjustments. The \$125.6M is an approximate 13.5% increase from FY 2021-22 to FY 2022-23. The estimated core minimum cost in FY 2020-21 was approximately \$50M and in FY 2021-22 it was \$82.5M. The core minimum costs in FY 2020-21 and FY 2021-22 were based on an inflation rate of ~1.8%, minimal to no percentage increases for salaries and health adjustments of ~6.5%. Any proposed increase less than current inflation effectively cuts funding.
- The Tuition - State Funding Conundrum / “Balance”:** Historically the relationship between state funding and tuition has been a sliding scale. In years where state funding covered base core minimum costs, tuition increases were held low or flat over the prior year. In cases where state funding did not cover core minimum costs, IHEs subsequently raised tuition and/or underwent cost containment measures. Arguably, one can debate whether IHEs have done everything they can to cut costs and identify cost-saving innovations before they leaned on tuition increases. Regardless, most will affirm that Colorado’s IHE’s are hitting the upper limit of their tuition thresholds without having a detrimental effect on in-state enrollment and the financial well-being of students.
- Affordability Remains a Significant Challenge:** As is the case across the nation, students and families are carrying the brunt of the shift in funding. Students are graduating higher education with debt. Although Colorado students are carrying less debt on average than their national peers and the financial pinch felt by students and families is still significant. In Colorado, the average student loan debt for baccalaureate graduates who took loans was \$26,289 in FY 2020. (Source: CDHE Financial Aid Report FY 2019-20, Released June 25, 2021). More concerning is the 40.2% of CO high school students who enroll in a CO post-secondary institution, but do not earn a credential within 6 years, many because of mounting financial stresses.
- Persistent and Large Equity Gaps in CO:** Despite the commendable effort, Colorado continues to have significant gaps in credential attainment rates between white students and students of color. While 64.9% of white graduates from CO public high schools who enrolled in CO public post-secondary institutions attained a credential within 6 years in the most recently available cohort, only 47.5% of their Hispanic and 40.5% of their black peers attained a credential in the same time period (Source: CDHE Pathways to Prosperity Report, 2014 Cohorts). The magnitude of this gap grows larger when one also considers the equity gap in post-secondary enrollment - while 61.1% of white graduates from a CO public high school enrolled in a postsecondary institution, only 51.9% of black students and 45.9% of Hispanic students did so (Source: CDHE Pathways to Prosperity Report, 2019 Cohorts).
- Telling the CO Post-Secondary Story Through Data Remains Challenging:** While CDHE produces several valuable reports, disparate data systems and the lack of a single, centralized, user-friendly hub for data visualization makes it challenging to easily tell the story of progress toward ensuring that post-secondary pathways create economic opportunity for all Colorado learners. As such, alignment across all stakeholders is more challenging, and it is easier for policy leaders to be distracted by debates over funding rather than focus on the outcomes of Colorado’s workers and students.

Rather than continuing to argue over which “truth” is worse, or wishing for different context, the time is now to rise to this challenge:

Call to Action: We need to break the annual cycle of debate about how the combination of scarce state funding and tuition increases will cover inflationary growth in core minimum costs and instead shift our focus to building on Colorado's competitive advantage nationally and to best meeting the needs of CO's diverse student population, by ensuring that Colorado's post-secondary pathways are a steppingstone to economic opportunity for the next generation of Colorado learners. To accomplish this, we will need to continue to invest in improving trust across all stakeholders via alignment around an updated post-secondary and workforce vision for Colorado.

Renewed Optimism: In the face of this paradigm shift, the Commission is more hopeful than ever. IHE leadership and faculty proved during the pandemic that they can turn on a dime to rise to meet the challenge, and we are optimistic they will continue to draw on that ingenuity and bias to action. Further, we have a once-in-a-generation opportunity to allocate a significant sum of additional one-time federal money to fuel the transformation and alignment of k-12, postsecondary, and the workforce, as Colorado's civic, institutional, business, and political leadership collaborate and coalesce around the 1330 task force and a renewed vision for post-secondary success in Colorado.

CCHE Recommendations for 2022/23 Budget Process: As such, the Commission on Higher Education recommends that we focus on the following levers to advance CO's economic vitality and meet the needs of CO postsecondary ecosystem and the students/communities it serves so that it can continue to be an engine of growth for our state and well-being for our citizens long into the future. This recommendation presents a set of principles designed to bring the various stakeholders together and move higher education to the next level:

- **Create Aligned Postsecondary and Workforce Vision for Colorado:** Update CCHE's strategic plan, *Colorado Rises*, and enhance goals and data systems to drive focus on measurable economic opportunity realization and emphasize alignment between post-secondary education and workforce/industry/employers.
- **Foster Momentum of 1330 Process:** Catalyze transformative change in post-secondary education and workforce alignment via the 1330 process and subsequent legislation to fundamentally address the budgetary, equity gap, and economic opportunity challenges Colorado faces.
- **Leverage one-time Federal Funds:** Use one-time funds to seed the substantial investment in resources necessary to make transformative change to drive economic opportunity outcomes for students/learners, which will in turn lift public perception of the post-secondary ecosystem in Colorado and enable the ongoing support necessary for enduring impact.
- **Rethink Financial Aid with a Lens Towards Equity:** Rethink the way student aid is prioritized and administered to make it more equitable and accountable to support Colorado's diverse learners while ensuring that we continue to incentivize retention and credential attainment.
- **Cover Inflationary Costs:** Sustaining the buying power of base funding is essential if Colorado hopes to address its equity gap and meet the needs of students and families while work on transformational strategies are underway. CCHE believes the FY 22-23 budget should recognize the inherent inflationary cost increases experienced by IHEs that are consistent with those experienced or required to be implemented elsewhere in state government.
- **Down Payment on Transformation:** Beyond that, CCHE believes Colorado should invest significant one-time funding to focus on closing equity gaps as outlined in *Colorado Rises* and/or to advance and implement policy initiatives outlined in the forthcoming 1330 Report. These investments should be made through Step 3 of the existing funding formula to extend the effectiveness of other one-time HB 21-1330 dollars and to reflect the one-time nature of available state dollars in FY 22-23.

- **Heightened Accountability & Accessible and Transparent Data:** CCHE feels strongly that as additional investments are made in postsecondary success and workforce alignment - *regardless of the Step and/or from which funding stream the allocation is made* - Colorado needs to closely assess student outcomes in terms of economic opportunity realization, going beyond retention and completion data to measure and focus attention explicitly on improving return-on-investment for post-secondary students to determine whether the funded initiatives positively impact the results which matter most. To accomplish this and to better align resources and future investments, Colorado should consider using one-time funds to help bolster our data capacity, transparency, and alignment of secondary, postsecondary and workforce outcomes. Establishing an easily accessible shared appreciation for the facts will help build trust and enable attention to focus on outcomes for Colorado's workers and students. Nicely, given the proliferation of excellent data visualization platforms, we do not have to build new technology to accomplish this objective, but we do need to commit to fast-paced, cross-stakeholder collaboration and data sharing.